

Message Text

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ACTION ARA-10

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TO SECSTATE WASHDC 1387

UNCLAS LIMA 7358

EO 11652: NA

TAGS: EMIN, EFIN, PE

SUBJECT: NEW MEASURES TO ASSIST SMALL AND MEDIUM MINING

REF: LIMA 6017

1. IN JUNE 1976, THE GOP ISSUED DECREE LAWS 21528 AND 21529. THE FIRST DECREE ESTABLISHED A 15 PERCENT TAX ON THE F.O.B. VALUE OF TRADITIONAL EXPORTS AND THE SECOND ONE, ANOTHER 15 PERCENT ON DOMESTIC SALES OF PRODUCTS WHICH PRICES ARE BASED ON INTERNATIONAL QUOTATIONS. (SEE LIMA 6017)

2. THE ABOVE DECREE LAWS HAVE NOW BEEN IMPLEMENTED BY PROVISIONS CONTAINED IN DECREE LAW 21581 OF AUGUST 10, 1976, WHICH PROVIDES:

A) THE BANCO MINERO AND SMALL MINERS OPERATING CONCESSIONS UNDER 300 HECTARES AND/OR WHOSE ANNUAL SALES ARE BELOW 44 MILLION SOLES ARE EXEMPT FROM THESE TAXES.

B) FOR MEDIUM MINERS THE 15 PERCENT TAX ON DOMESTIC SALES WILL BE CONSIDERED AS A CREDIT AGAINST THE 15 PERCENT EXPORT TAX, TO BE REFUNDED TO THE EXPORTERS IN THE FORM OF BONDS (EXEMPT FROM ALL TAXES, INCLUDING IN-

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COME AND INHERITANCE TAXES) FOR AMOUNTS SIMILAR TO

THE TAX PAID AND BEARING 1 PERCENT PER ANNUM INTEREST. THE BONDS MAY BE USED AS A GUARANTEE AGAINST GOVERNMENT AND COMMERCIAL BANKS LOANS. THEY WILL BE PAYABLE TO THE ORDER OF MINING PRODUCERS BUT FREELY TRANSFERABLE BY ENDORSEMENT.

C) PROVISIONAL CERTIFICATES WITH THE SAME CHARACTERISTICS WILL BE GRANTED WHILE THE BONDS ARE BEING ISSUED.

D) MINING PRODUCERS WITH TOTAL OPERATING CAPACITY OF LESS THAN 5,000 METRIC TONS/DAY (THIS MEANS ALL MEDIUM MINES) WILL BE ABLE TO OBTAIN CREDITS FROM THE BANCO MINERO FOR AS MUCH AS 20 PERCENT OF THE F.O.B. EXPORT VALUE.

COMMENT: DECREE LAW 21581 IS THE RESULT OF COMPLAINTS FROM THE MINING INDUSTRY, THROUGH THE MINING SOCIETY, AGAINST PROVISIONS OF DECREE LAWS 21528 AND 21529, WHICH WERE DETRIMENTAL TO THE INDUSTRY AND THEREBY AGGRAVATED THEIR CRITICAL ECONOMIC-FINANCIAL SITUATION. INASMUCH AS THE 15 PERCENT TAX CANNOT BE ABOLISHED DUE TO THE FACT THAT THE GOVERNMENT HAS ALREADY INCLUDED THEM AS AN INCOME IN THE NATIONAL BUDGET, THESE BONDS ARE REALLY TO BE CONSIDERED AS LOANS FROM THE MINERS TO THE GOP. THIS EXPLAINS THE PAYMENT OF AN INTEREST OF 1 PERCENT PER ANNUM. THE EMBASSY HAS BEEN INFORMED THAT THIS MEASURE HAS BEEN WELL RECEIVED BY THE MINING INDUSTRY.
SMITH

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